

Message Text

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PAGE 01 LAGOS 09493 221602Z
ACTION OPIC-06

INFO OCT-01 AF-10 ISO-00 EB-08 /025 W
-----002690 222117Z /66
R 221437Z AUG 77
FM AMEMBASSY LAGOS
TO SECSTATE WASHDC 3122

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E.O. 11652: N/A
TAGS: EINV, NI
SUBJECT: PROPOSED VISIT OF OPEC TEAM TO REVIVE INSURANCE PROGRAM

REF: STATE 173509

1. EMBASSY CONCURS PROPOSED OPIC TEAM OCTOBER VISIT TO REVIEW/
RESOLVE OPERATIONAL PROBLEMS OF OPIC INSURANCE PROGRAM IN NIGERIA.

2. DURING CONGRESSIONAL STAFF OPIC STUDY MISSION VISIT LAST
WEEK, EMBASSY HAD OPPORTUNITY TO INFORMALLY REVIEW OPIC PROBLEM
AREAS HERE WITH FMG OFFICIALS AND PRIVATE BUSINESSMEN. FOLLOWING
EMBASSY COMMENTS ON PIC DEFINED PROBLEM AREAS ARE BASED IN PART
ON THIS REVIEW.

A) ACTIVATION WAR RISK COVERAGE -- ISSUE REMAINS A SORE
POINT WITH FMG. CONGRESSIONAL STAFFDELS, FOR EXAMPLE, INDIRECTLY
RAISED WAR RISK COVERAGE TWICE DURING MEETING WITH MININDUSTRIES
PERMSEC JODA WHO PARRIED ISSUE, BLANDLY SAYING THAT 1974 AGREEMENT
COVERED ONLY EXPROPRIATION AND INCONVERTABILITY CLAIMS. FROM
OUR DISCUSSIONS WITH FMG, IT IS CLEAR THAT LATTER FINDS WAR
COVERAGE OBJECTIONABLE. ANY U.S. INSISTENCE THAT IT BE INCLUDED WITH
CLEARLY ENCOURAGE REJECTION OF WHOLE OPIC PACKAGE. WE RECOMMEND
THAT TEAM APPROACH SUBJECT WITH SENSITIVITY AND FLEXIBILITY.

B) FOREIGN GOVERNMENT APPROVAL (FGA) PROCEDURES -- ASIDE
FROM WAR RISK COVERAGE, THE PRINCIPAL IRRITANT IN OPIC/FMG RELATIONS
IS THE FGA. MININDUSTRIES ATTEMPTING REGAIN FGA ISSUING AUTHORITY
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FROM FEC. NONETHELESS EMBASSY BELIEVES LONG DELAYS AND NON-
ISSUANCE OF FGA WILL CONTINUE NO MATTER WHICH ARM OF FMG HAS ISSUING
AUTHORITY FROM FEC. NONETHELESS EMBASSY BELIEVES LONG DELAYS AND
NON-ISSUANCE OF FGA WILL CONTINUE NO MATTER WHICH ARM OF FMG HAS
ISSUING AUTHORITY. NIGERIAN OFFICIALS BELIEVE FGA NOT NECESSARY,
AND CLAIM THAT OPIC'S EUROPEAN ANALOGS DO NOT HAVE SIMILAR
REQUIREMENT. ACCORDING TO OPIC PAPER OF JULY 15, 1977 WHICH

IDENTIFIED THE PROBLEM ISSUES, QUOTE THE ONLY REASON THE APPROVAL PROVISION HAS BEEN INCLUDED IN THE OPIC AGREEMENT IS TO ASSURE THAT THE USG WILL NOT BE ISSUING INSURANCE FOR ANY PROJECT THAT IS NOT ACCEPTABLE TO THE FMG U QUOTE. FMG OFFICIALS ARGUE HOWEVER THAT REGISTRATION, FOREIGN EXCHANGE AND OTHER REGULATORY REQUIREMENTS PROVIDE BY THEMSELVES SUFFICIENT EVIDENCE OF THE ACCEPTABILITY OF JOINT-VENTURE PROJECTS TO THE NIGERIAN GOVERNMENT. WE THUS BELIEVE THAT VARIOUS ALTERNATIVES OFFERED BY OPIC TO KEEP SOME FORM OF FGA WILL RECEIVE COOL RECEPTION HERE. ALTHOUGH SOME MODIFICATION OF THE FGA MIGHT BE ACCEPTED OFFICIALLY BY THE FMG, LIKELY THAT IT WILL NOT BE A TRUE SOLUTION. LONG DELAYS/NON-INSURANCE PROBABLY WILL REMAIN A PROBLEM. SINCE FGA PROVISION SEEMS TO HAVE BEEN INCLUDED SOLELY AS AN ASSURANCE THAT THE PROJECT IS ACCEPTABLE TO THE FMG AND SINCE THE FMG MAINTAINS THAT IT IS REDUNDANT, EMBASSY RECOMMENDS THAT THE FGA PROVISION BE DROPPED.

C) INDIGENIZATION/USG OWNERSHIP -- FMG PROFESSES THAT IT UNDERSTANDS U.S. POSITION ON OWNING PROPERTY IN OPERATING A BUSINESS HERE. STILL, FURTHER CLARIFICATION BY TEAM COULD BE USEFUL.

D) INVESTMENT CLIMATE -- ACCORDING TO PIIC PROBLEM IDENTIFICATION PAPER, FMG BELIEVES THAT QUOTE OPIC FACILITIES OFTEN PROMOTE SMALL IRRESPONSIBLE INVESTORS RATHER THAN LARGE PROJECTS UNQUOTE. IN FACT, HOWEVER, FMG DOES NOT MAKE THIS CLAIM, AND REALIZES THAT ALL ACTIVE OPIC INSURANCE CONTRACTS AND MOST INSURANCE APPLICATIONS HERE ARE HELD BY LARGE U.S. INVESTORS. IN ANY CASE, TEAM LIMITED OFFICIAL USE

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MAY WISH TO EMPHASIZE OPIC'S POTENTIAL IN MOBILIZING FLOW OF U.S. CAPITAL AND SKILL TO NIGERIA IN ISSUING TWENTY-YEAR TERM INSURANCE DESPITE THE VAGARIES OF INVESTMENT CLIMATE.

E) FINANCE PROGRAM/ NIGERIAN BANKING -- EMBASSY BELIEVES RESURRECTION OPIC FINANCE PROGRAM IN NIGERIA WOULD BE FRUITLESS. FMG IS FIRM ON MAINTAINING 4 - 9 PERCENT INTEREST SPREAD ON LOANS, AND LOOKS TO MERCHANT BANKS (BOTH PRIVATE AND GOVERNMENT) TO PROVIDE INVESTMENT SERVICES OFFERED BY OPIC FINANCE PROGRAM. THUS FMG VIEWS AN OPIC FINANCE PROGRAM HERE AS UNNECESSARY AND DAMAGING TO NIGERIA'S FOREIGN EXCHANGE POSITION.

F) ICSID -- FMG HAS NOT RAISED ICSID VERSUS OPIC QUESTION SINCE JUNE 1976 AND EMBASSY BELIEVES MATTER WILL NOT BE RAISED AGAIN DURING LIFETIME CURRENT OPIC AGREEMENT. THUS ALTHOUGH FMG MIGHT BENEFIT FROM TAM'S CLARIFICATION OF ICSID AND OPIC FUNCTIONS, RAISING AGAIN OF QUESTION MAY NOT BE PRODUCTIVE.

3. EMBASSY UNCLEAR AS TO POWERS OF OPIC TEAM. WILL IT HAVE AUTHORITY TO RENEGOTIATE PARTS OF 1974 AGREEMENT OR ONLY CLARIFY OR SECURE VERBAL AGREEMENTS ON IMPLEMENTATION OF 1974 AGREEMENT.

4. PARA 5 REFTEL SEEMS TO PROPOSE TWO VISITS IN OCTOBER. PLEASE CLARIFY. TNE WOULD APPEAR TO BE SUFFICIENT.

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01-Jan-1994 12:00:00 am
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: INSURANCE, TRADE VISITS, PROGRAMS (PROJECTS)
Control Number: n/a
Copy: SINGLE
Sent Date: 22-Aug-1977 12:00:00 am
Decaption Date: 01-Jan-1960 12:00:00 am
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 22 May 2009
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1977LAGOS09493
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Expiration:
Film Number: D770303-0133
Format: TEL
From: LAGOS
Handling Restrictions: n/a
Image Path:
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Legacy Key: link1977/newtext/t19770838/aaaabfsk.tel
Line Count: 117
Litigation Code IDs:
Litigation Codes:
Litigation History:
Locator: TEXT ON-LINE, ON MICROFILM
Message ID: 5e70fa56-c288-dd11-92da-001cc4696bcc
Office: ACTION OPIC
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: 77 STATE 173509
Retention: 0
Review Action: RELEASED, APPROVED
Review Content Flags:
Review Date: 08-Feb-2005 12:00:00 am
Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 1529653
Secure: OPEN
Status: NATIVE
Subject: PROPOSED VISIT OF OPEC TEAM TO REVIVE INSURANCE PROGRAM
TAGS: EINV, NI, OPIC
To: STATE
Type: TE
vdkgvwkey: odbc://SAS/SAS.dbo.SAS_Docs/5e70fa56-c288-dd11-92da-001cc4696bcc
Review Markings:
Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
22 May 2009
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 22 May 2009